

LAW OFFICES

Nelson Mullins Riley & Scarborough, L.L.P.

A REGISTERED LIMITED LIABILITY PARTNERSHIP

Jerry W. Amos
(704) 417-3110
Internet Address: JWA@nmrs.com

BANK OF AMERICA CORPORATE CENTER
SUITE 3350
100 NORTH TRYON STREET
CHARLOTTE, NORTH CAROLINA 28202-4000
TELEPHONE (704) 417-3000
FACSIMILE (704) 377-4814
www.nmrs.com

REC'D TN
REGULATORY AUTHORITY
01 DEC 31 PM 10 11
OFFICE OF THE
EXECUTIVE SECRETARY
OTHER OFFICES:
Atlanta, Georgia
Charleston, South Carolina
Columbia, South Carolina
Greenville, South Carolina
Myrtle Beach, South Carolina
Munich, Germany

December 28, 2001

Mr. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Re: Nashville Gas Company, Docket No. 99-00207

Dear Mr. Waddell:

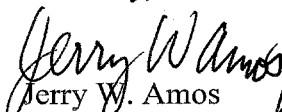

In accordance with the reporting provisions of Service Schedule No. 14, Performance Incentive Plan, as approved in the above captioned docket, Nashville Gas Company ("Nashville") submits the accompanying quarterly report of shared gas cost savings for the period ended October 31, 2001.

The summary accompanying this filing reflects the contractual lump-sum payment of \$2,500,000 to be made in May 2002 by Nashville's new gas asset manager, Dynegy, Inc. Dynegy replaced Sempra Energy Trading Corp. as Nashville's asset manager effective July 1, 2001. The accumulated gains and savings of \$2,497,781 include this payment by the asset manager. Under the Plan's sharing formulas, \$1,351,087 of these gains and savings will be allocated to the Company's ratepayers. The remaining \$1,146,694 of the gains and savings are to be credited to the Company's Incentive Plan Account under the terms of the Plan.

Detailed calculations supporting the amounts shown on the summary are provided in this filing subject to the execution of non-disclosure agreements.

I am enclosing one additional copy of the summary that I would appreciate your stamping "filed" and returning to me in the enclosed envelope.

Sincerely,


Jerry W. Amos


Enclosures

c: Cynthia Kinser, Consumer Advocate
Daniel McCormac, Tennessee Regulatory Authority

Report on Nashville Incentive Plan July 2001 - June 2002

Month	Year	Gas Procurement Incentive Mechanism	Nashville GPI Sharing	Ratepayer GPI Sharing	Capacity Management Incentive Mechanism	Nashville CMI Sharing	Ratepayer CMI Sharing	Total	Total Nashville	Total Ratepayer
		Gain/(Loss) 1/	Gain/(Loss) 2/	Gain/(Loss)	Gain/(Loss)	Gain/(Loss) 3/	Gain/(Loss) 3/	Gain/(Loss)	Gain/(Loss)	Gain/(Loss)
July	2001	\$ (11,568)	\$ -	\$ (11,568)	\$ -	\$ -	\$ -	\$ (11,568)	\$ -	\$ (11,568)
August	2001	\$ (49)	\$ -	\$ (49)	\$ -	\$ -	\$ -	\$ (49)	\$ -	\$ (49)
September	2001	\$ (5,199)	\$ -	\$ (5,199)	\$ 1,217	\$ -	\$ 1,217	\$ (3,982)	\$ -	\$ (3,982)
October	2001	\$ 1,942	\$ -	\$ 1,942	\$ 11,437	\$ -	\$ 11,437	\$ 13,379	\$ -	\$ 13,379
November	2001	\$ (59,648)	\$ -	\$ (59,648)	\$ -	\$ -	\$ -	\$ (59,648)	\$ -	\$ (59,648)
December	2001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
January	2002	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
February	2002	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
March	2002	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
April	2002	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
May	2002	\$ -	\$ -	\$ -	\$ 2,500,000	\$ 1,146,694	\$ 1,353,306	\$ 2,500,000	\$ 1,146,694	\$ 1,353,306
June	2002	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		\$ (74,522)	\$ -	\$ (74,522)	\$ 2,512,655	\$ 1,146,694	\$ 1,365,960	\$ 2,438,133	\$ 1,146,694	\$ 1,291,438

1/ The monthly gain or loss set forth in this column reflects total gains or losses calculated under the gas procurement mechanism, including gains or losses within the one percent deadband.

2/ Nashville GPI sharing reflects 50% of gains or losses calculated under the gas procurement mechanism after application of the one percent monthly deadband.

3/ Nashville sharing percentages range from 0% (up to 1% of annual demand savings), to 10% (1% - 2% savings), to 25% (2% - 3% savings), and to 50% (> 3% savings). Total capacity demand costs for the period are based on estimated annual costs for the plan year. These sharing amounts shall be adjusted based on the actual demand costs incurred, taking into account refunds or surcharges from pipeline and storage supplies.
(See Service Schedule No. 14, page 5)